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A PROPOSAL FOR

PERFORMANCE-BASED FUNDING


PROMOTING EXCELLENCE

IN ALBERTA'S PUBLIC ADULT LEARNING SYSTEM

Alberta

ADVANCED EDUCATION AND
CAREER DEVELOPMENT

NOVEMBER 1995



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CONTENTS

Background – 1

The Consultations: What We Heard – 3

A Revised Proposal for a New Funding Mechanism – 7

Questions – 17

The Next Stage – 17

Appendix I: Performance Envelope Report Card – 18

Appendix II: Stakeholder Feedback – 21

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NOVEMBER 1995

GOALS OF ALBERTA'S ADULT LEARNING SYSTEM

ACCESSIBILITY: The system will increase access for motivated Albertans to a diverse range of quality learning opportunities.

CREATIVITY: The system, through its universities, will pursue research excellence to increase access to and development of new knowledge.

RESPONSIVENESS: The system will increase its responsiveness to the needs of the individual learner and to the social, economic and cultural needs of the province.

AFFORDABILITY: The system will provide quality learning opportunities to the greatest number of Albertans at the lowest possible cost.

ACCOUNTABILITY: The system will increase its accountability to Albertans for the results of publicly funded learning opportunities.

A PROPOSAL FOR

PERFORMANCE-BASED FUNDING

PROMOTING EXCELLENCE

IN ALBERTA'S PUBLIC ADULT LEARNING SYSTEM

This document is the latest in a series of reports and correspondence about the development of a new funding mechanism for Alberta's post-secondary education system. In June 1995, the ministry of Advanced Education and Career Development proposed a performance-based funding mechanism. This document

- reports on the comments we have received on the proposal and
- lays out a modified proposal for a new funding mechanism.

BACKGROUND

In February 1994, the Alberta government released its business plan and set out the following vision: "*...a prosperous Alberta with an open, accountable government that lives within its means and delivers quality services at a low cost.*"

The government's business planning model includes a framework for improved accountability and an emphasis on reporting and openness. In the area of post-secondary education, this means showing Albertans that the public post-secondary system delivers high quality services efficiently and effectively. This emphasis on accountability and reform was supported by Albertans during the public consultation on the future of adult learning in the province.

After consulting with those involved in the province's adult learning system and other interested Albertans, Jack W. Ady, Minister of Advanced Education and Career Development, announced in October 1994 a new policy framework to meet the learning needs of adult Albertans. *New Directions for Adult Learning in Alberta* identified four goals for the adult learning system – accessibility, responsiveness, affordability and accountability – and set out 22 strategies to achieve them. One of the strategies responds to concerns that were raised about the current system of funding post-secondary institutions. The strategy states that funding to post-secondary institutions will be provided through a new mechanism that rewards an institution's performance in providing accessibility, quality and relevance to learners at the lowest possible cost.

Our challenge in developing a new funding mechanism is to select a combination of methods, techniques and features that

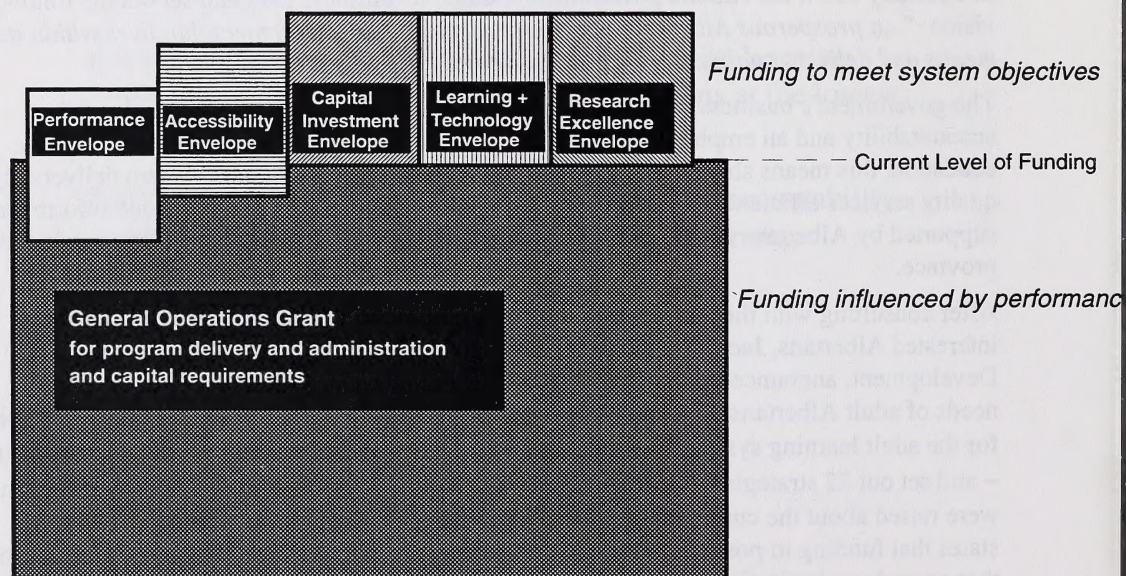
- supports the desired outputs and outcomes of our post-secondary system,
- rewards institutions' performance, and
- is consistent with the government's fiscal agenda for a balanced budget.

To facilitate the process, in February 1995 we invited the boards, administrators, faculty associations and student associations in our adult learning system to respond to an outline paper on funding principles and options. After taking into account the comments received, as well as research on funding methods in other jurisdictions and relevance to Alberta, the Minister released *A Proposed Performance-Based Funding Mechanism for Alberta's Public Post-Secondary Education System* in June 1995.

The funding mechanism proposed in June 1995 consisted of two main parts:

1. A general operations grant to post-secondary institutions to fund program delivery, administration and general capital requirements within each institution's mandate. This grant would be tied to targets identified in the department's business plan.
2. Performance-driven "envelopes" of funds that
 - a.) reward performance, and
 - b.) assist and act as incentives for the adult learning system to make changes in support of system objectives.

Below is a graphic representation of the June proposal:



The proposal included the following elements:

General Operations Grant: Most of the funding to post-secondary institutions would be provided through this grant to cover program delivery, administration and general capital requirements. The general operations grant would be performance-driven because of a direct channel between it and the performance-based envelopes outlined below.

Performance Envelope: Created from a reallocation of between one and three percent of the general operations grant, plus new funding that might be awarded for that purpose. Funding from the envelope to an individual institution would be determined on the basis of each institution's "report card" on a series of performance indicators.

Accessibility Envelope: Created as a successor to the Access Fund, from a reallocation of between one to three per cent of the operations grant, plus new funding that might be awarded in order to increase enrolment. Funding would be based on anticipated performance related to objectives and measures of increased student access.

Capital Investment Envelope: Created from additional funds to the system and operational only when those funds are secured. This envelope would fund, on a matching basis, investment in approved equipment and facilities relevant to the institution's mandate, and long-term projects such as the upgrading and replacement of equipment and facilities. The grant would be on a one-time, specific basis and would match an institution's income from other sources including endowments and the private sector.

Learning and Technology Envelope: Created from additional funds to the system and operational only when those funds are secured. The envelope would encourage innovation to enhance the quality and availability of adult learning in Alberta. This would be achieved through integration of technology to the learning-teaching process, both on and off campus. Funding would be on a specific one-time basis.

Research Excellence Envelope: Created from additional funds to the system and operational only when those funds are secured. This envelope was proposed in recognition of the importance of research to the continued success of our universities. Funding would be allocated on a one-time specific basis.

THE CONSULTATIONS: WHAT WE HEARD

Throughout August and early September, department officials held meetings with representatives of all publicly funded post-secondary institutions in Alberta, the two provincial student and the two provincial faculty associations. The department obtained valuable feedback from these consultations and from the other written responses received.

The following section summarizes the comments we received about the proposal.

GENERAL

There was a strong endorsement of enhanced accountability for the system. The principles outlined in the paper were confirmed. It was suggested that the principle of collaboration be added to promote success for the entire system and position it to meet the challenge of global

competition. While most institutions agreed that some competition encouraged excellence, it was indicated that, because of finite resources, harmful competition might result.

The majority of respondents endorsed the two-part funding mechanism proposal and agreed that the general operations grant should provide for the basic operations of an institution. There was agreement also with the concept that the general operations grant would change over time due to performance-based funding and that the performance envelope would be financed primarily from an across-the-board grant adjustment for all institutions. The three-year planning horizon inherent in the present business plan process was also supported.

PERFORMANCE ENVELOPE

General: The majority of respondents agreed with the general concepts, including the size of the envelope (one to three percent of the general operations grant), its relationship to largely output based performance indicators, its cumulative redistribution aspects, and the concept of the report card. Concern was expressed that relatively poor performance over several years could result in a loss of funds that would be irreversible.

New funds: While there was a general acceptance of the reallocation of funds through the Performance Envelope, there was also an overall conviction that the envelope would be most successful if new funds were used to reward performance.

System-wide performance: Several institutions suggested that, in addition to measuring relative performance among institutions in Alberta, we should also measure performance of the Alberta system, and/or sectors, against that of other provinces.

Key performance indicators: Although there was support for linking key performance indicators to funding, the comments ranged from using a few, very specific indicators to a broad range of activity indicators within each institution. There was also a range of views on how institutions should be compared: against their previous performance, against only other institutions in their defined sector, or against all other institutions in the system. These comparisons may also need to recognize economies of scale, urban and rural differences, institutional mandates and programs.

Ongoing reviews: Some institutions felt it necessary that an ongoing mechanism be established to allow the department to work closely with institutions to identify and help resolve problem areas. As well, there was support for the department to evaluate the outcomes of the funding mechanism against other post-secondary systems across Canada.

Inflation: The majority of respondents agreed that inflation could be dealt with through the performance envelope. However, it was indicated that funding to compensate for inflation must be differentiated from funding to reward performance.

ACCESSIBILITY ENVELOPE

Most institutions no longer consider accessibility, as it is presently defined, as an immediate priority at this time. However, it was acknowledged that demand for learning opportunities will likely increase over the long term and that the system must be positioned to accommodate additional students.

We heard that accessibility needs to be redefined to include an expansion in the availability and nature of learning opportunities, such as geographic distribution of opportunities, greater choices in scheduling and location, and other enhancements through technological changes. Further, a greater emphasis should be placed on enhancing accessibility in existing programs, rather than just new programs.

LEARNING AND TECHNOLOGY ENVELOPE

Most respondents agreed to the concept and importance of the envelope. A number felt that this envelope could address accessibility through the long-term expansion of learning opportunities. They emphasized that, to make the envelope successful, collaboration on a large scale would need to be encouraged. Respondents also indicated this envelope should be flexible enough to accommodate funding support for multi-institutional systems which enhance learning through technology.

RESEARCH EXCELLENCE ENVELOPE

All universities agreed to the importance of a research envelope and the general concepts presented, including one-time matching grants. There was general acceptance that matching grants would not necessarily equal funds raised. A few institutions, other than the universities, favoured the expansion of this envelope to support applied research that is not university-based.

CAPITAL INVESTMENT ENVELOPE

There was general agreement with the concept of this envelope, including the matching principle. There was some concern however, about the criteria that may be used in allocating funds. Institutions that showed prudent management in the past should not be "penalized" in favour of those that neglected capital renewal. Some institutions also felt that their ability to raise funds was limited, owing either to other institutions in the vicinity or because of limited sources and that this factor should be taken into account.

OTHER ENVELOPES PROPOSED

Over the course of the consultations, we heard several proposals for additional envelopes:

- Teaching Development - to increase productivity, efficiency and quality of teaching.
- Industrial Partnership - to encourage corporate sector involvement
- Teaching Excellence - to improve instruction and encourage innovation in learning and teaching
- Improvement - to promote cooperation and the ability to replicate effective innovations and efficiencies throughout the system
- Scholarship Endowment - to address student finance issues through a matching formula for institutionally-raised funds
- Growth - to assess and respond to growth
- Diversity Program - to encourage institutions to maintain necessary, higher cost delivery programs

More information about the comments on the June 1995 proposal is provided in Appendix II.

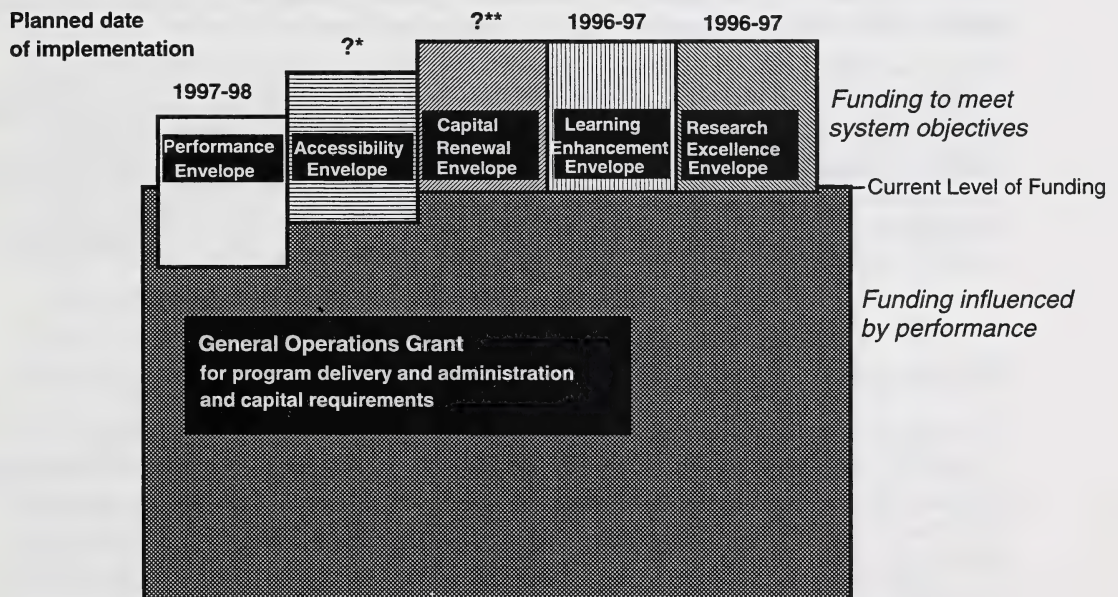
A REVISED PROPOSAL FOR A NEW FUNDING MECHANISM

The funding mechanism proposed in June 1995 received wide-spread, general approval. Therefore, the revised proposal for allocating funds to support post-secondary education in Alberta consists of a similar, two-part mechanism. The two parts would be:

1. A general operations grant to post-secondary institutions to fund program delivery, administration and capital requirements within each institution's mandate. The grant would be tied to the department's business plan and institutional performance.
2. Performance-driven "envelopes" of funds that
 - a.) reward performance in meeting Alberta's goals for adult learning and
 - b.) assist and act as incentives for post-secondary institutions to make changes in support of system objectives.

Most of the modifications to the earlier proposal are proposed to the second (envelope) part of the mechanism. It is important to note that we do not see the new proposal as static, but one which will require ongoing consultation and refinement into the pilot year in 1996-97.

A graphic representation of the new funding proposal



* Accessibility Envelope suspended for three years, subject to review.

** Implementation of Capital Renewal Envelope depends on new funds being made available for the envelope.

GENERAL OPERATIONS GRANT

Under the proposed mechanism, Alberta's public post-secondary institutions would receive most of their funding through a general operations grant. This grant would fund program delivery, administration and general capital requirements.

Within the context of its mission and mandate, each institution would be expected to deploy the grant in support of the department's three-year business plan. The plan, which is updated annually, sets out budget targets, system-wide goals and strategies over a three-year period. A part of the overall business plan for government, it guides the actions of the department and, in turn, serves as a template in the development of each institution's business plan.

A funding mechanism linked to a rolling three-year business plan has many benefits. In providing a view of the next three years, the business plan allows the department and institutions to identify longer range objectives and ways to achieve them. It promotes better planning and budgeting for the future, and fosters stability in operations. It also serves to "broaden the horizon" so that institutions can position themselves strategically to adapt to changing circumstances.

This three-year planning process has, in fact, already begun with the implementation of the department's first three-year business plan announced in February 1994. Annual budget reduction targets were set for the public post-secondary system of 11 per cent, seven per cent and three per cent, respectively. Institutions in turn were expected to develop individual three-year business plans to deal with the reduced grants. Overall, Alberta's institutions have successfully met the challenge through streamlining and creativity.

The amount of the general operations grant for each institution would, at first, be based on the institution's current block grant. However, the amount would change over time as a result of allocations from the Performance Envelope. Allocations to reward performance, for example, would be rolled into an institution's general operations grant for the following year. This would increase its base grant for subsequent years. The opposite would occur if an institution were a poor performer. The system-wide implications would be the redirecting of funds to institutions that rate high in performance.

ENVELOPE FUNDING

Envelope funding is a way to describe funding for circumstances that are separately identified. This is a proactive method that uses funding to guide institutions in directions that meet specific government objectives and needs of adult learners. These factors can change over time. The flexibility of envelope funding allows changing circumstances to be addressed, while maintaining the stability of the overall system.

Envelopes allow activity within the system and within the sectors -- university, technical institute, college and vocational -- to be focused on specific issues that require concerted or specialized effort.

Envelope funding is proposed to support objectives in the following areas:

- performance
- accessibility
- learning enhancement
- capital renewal
- research excellence (applicable to universities)

Funds allocated from the Performance Envelope would reward institutions for achievements and productivity attained during the previous year. On the other hand, funding from the other envelopes would assist institutions to realize specific goals in the following years. Funds from these envelopes would be awarded on the basis of proposals from the institutions on productive, cost-effective ways to address change and meet goals.

The envelopes proposed could change over time to respond to new goals for the system and to address the needs of learners and research activities.

PERFORMANCE ENVELOPE

PROPOSAL

The purpose of this envelope would be to reward performance in our public post-secondary system. As such, this envelope would be the main instrument of adjustment for the general operations grant. It would measure how institutions have progressed towards the goals set out in the department's business plan and would reward the institutions which are successful. There are currently five goals for Alberta's adult learning system – accessibility, responsiveness, creativity, accountability and affordability. In order to assess institutional performance towards these goals, a set of key performance indicators are being developed with the universities, colleges and technical institutes. These indicators are multi-faceted. They need to not only measure the relative performance of institutions, they need to encourage institutions to progress towards the goals and strive for excellence in achievement. The performance indicators would recognize:

- individual institutional improvement, and
- performance relative to other institutions

At the same time, they would promote excellence by recognizing:

- best performance in the system, and
- the achievement of excellence by meeting or exceeding established benchmarks.

These benchmarks could be based on national and international standards and could be set to reflect institutional size, program mandates, location and economies of scale.

This envelope would replace the current enrolment corridor policy. Enrolment targets established through the Performance Envelope would allow institutions to manage their enrolment as part of their overall performance.

Funding for the envelope would be derived from two per cent of the operations grant of each post-secondary institution, beginning in 1997-98, plus any new funds that might be allocated to the envelope at the discretion of the Treasury Board.

The Performance Envelope would also be structured to deal with inflation. When additional funds are made available, a minimal level would be set aside for all institutions to compensate for inflation.

HOW IT WOULD WORK

We propose to develop an assessment mechanism that would result in funding allocations at the margin being based on performance. This mechanism would take the form of an institutional "report card."

This report card would assess an institution's progress in striving for and meeting the goals set out in the department's business plan.

The report card would set out three areas of measurement:

- quality and output
- input and effectiveness
- accountability.

Because our system is now focussing on outputs and quality outcomes rather than inputs, quality and output would have the greatest weight in measuring performance. At the outset, 65 per cent of the weight would be given to quality and output measures, 30 per cent to input and effectiveness measures and five per cent to accountability issues.

The present Information Reporting and Exchange Project involving the department and institutions would continue to serve as the means to ensure the comparability of information. Responsibility for the calculation of the indicators would remain with each institution and be subject to audit by the Office of the Auditor General.

More information about the report card and how it would work is included in Appendix I.

Pilot year: The 1996-97 fiscal year would serve as a pilot year for the Performance Envelope. During the year, institutions will be consulted to refine key performance indicators and benchmarks to be used in assessing performance. Funding would not be affected during this pilot year. We envisage a process in which institutions would have time to assess their own performance and its corresponding impact on funding, and to adjust activities where required. For 1997-98, for example, the most recent data available for use would be from 1995-96.

Review panel: To establish a vehicle for ongoing consultation during the implementation of the new funding mechanism, we propose a committee be established to review and provide advice on the Performance Envelope during the pilot year. This committee would include representatives from the post-secondary institutions, government and the private sector.

Budgetary mechanism: Institutions report on different fiscal years. Because the performance envelope funding would be drawn, in part or wholly, from institutions and be redistributed on a basis different than that which it is drawn, the envelope should have the flexibility to carry funding over to a subsequent fiscal year, if required. It is proposed a budgetary mechanism be established to carry funding over between fiscal years and to provide the flexibility necessary for the reallocation of funds.

IMPLEMENTATION

The Performance Envelope would come into full effect on April 1, 1997, the beginning of the 1997-98 fiscal year.

EXPECTED RESULTS

The proposed Performance Envelope would:

- reward individual institutional performance and promote excellence for institutions and the system as a whole.
- build on the strengths within Alberta's public adult learning system.
- be flexible enough to meet changing needs or pursue specific objectives for the system.
- encourage diversity and specialization as a means to achieve system-wide goals and objectives and to further the success of the system as a whole.

ACCESSIBILITY ENVELOPE

Learning opportunities provided through publicly supported programs depend upon the changing needs of the economy and the changing demands from adult learners. By the end of the current fiscal year, the Access Fund will have achieved its goal of expanding, at a reduced cost, the number of learning opportunities available. Coupled with some "softening" of student demand, this expansion makes further direct funding of programs unnecessary for the next three years, subject to review.

Increased accessibility would be addressed, to some extent, by the Learning Enhancement Envelope with its emphasis on enhancing quality and access through the use of learning technology and innovation. However it is recognized that, in the future, direct intervention to expand targeted programs may be necessary. The new funding mechanism should have the capability to support an expansion in accessibility.

PROPOSAL

We propose that the implementation of an Accessibility Envelope be postponed and the Access Fund be suspended on March 31, 1996 for a period of three years. The suspension would be reviewed after that time and an Accessibility Envelope established when appropriate, to respond to enrolment demands that cannot be addressed by other means.

LEARNING ENHANCEMENT ENVELOPE

A number of reports produced by the Alberta government share the view that the "Alberta Advantage" needs to be secured by taking bold steps to provide Albertans with affordable, electronic access to health, education and other government services. These include a report from this department, *Vision for Change: A Concept Paper for the Development of a Virtual Learning System*. The report promotes a vision of a virtual adult learning system which utilizes the power of technology to deliver flexible, learner-centred programs, aided by reorganized support systems, wherever and whenever the learner needs them. Implicit in this

vision is a transformation, in which learning is driven by what the learner needs and in the way institutions and faculty must function to produce and deliver learning opportunities.

PROPOSAL

We propose to provide the leadership and a financial catalyst to enhance quality and access in Alberta's public adult learning system by encouraging the use of learning technology and innovation to create a more flexible, learner-centred system. Innovation could include changes in the organization of program content and curriculum, in faculty roles and in the delivery of academic and student support services. Funding would be provided through a Learning Enhancement Envelope.

This transformation would help institutions to reach new clients, to expand accessibility over the long term and to meet the competition which is expected to emerge from sources all over the world.

HOW IT WOULD WORK

Guidelines would be established with institutions early in 1996. The guidelines would be characterized by the following features:

- institutions would act in consort to ensure that delivery systems are compatible inter-institutionally and are available to deliver programs on a regional or provincial basis;
- grants would be made as a portion of the total costs of any activity; institutions and other partners would be expected to contribute financially;
- funded projects would emphasize transformation of actual programs and related services rather than experimentation with technologies;
- all grants would be term certain;
- accountability for specific results would be required;
- the review and approval of projects supported by this envelope would be aided by an expert panel of Albertans from the institutional, public and private sectors.

Subject to the advice it receives from the panel, the grants in this envelope would be available for:

- infrastructure needed to establish communications networks;
- computers and other media hardware that would be necessary to change to a learner-centered infrastructure;
- developmental funding for the conversion of existing courses and programs into new formats;
- the establishment of support services for learners who would require help in organizing their learning experiences and in linking to appropriate learning resources;
- providing faculty with appropriate skills;
- research to continue the refinement of the virtual learning system;
- the purchase of relevant learning materials from outside the province, when appropriate.

IMPLEMENTATION

We propose that, beginning in the 1996-97 fiscal year, a portion of funds be transferred from the Access Fund to the Learning Enhancement Envelope for a three-year period, subject to review. Implementation would depend on Treasury Board's approval of this arrangement.

EXPECTED RESULTS

One of the consequences of the educational technology revolution is that centres of specialization will emerge for educational programming and that delivery will occur increasingly on a province-wide basis.

It is unlikely, nor desirable, that virtual learning would ever completely replace all practices of classroom instruction. However a profound shift, facilitated by the power of information technology, to the learner as the center of the enterprise means the development of a new pedagogy and new roles for teachers.

RESEARCH EXCELLENCE ENVELOPE

In January of this year the Minister initiated an independent study and consultation led by Dr. Gilles Cloutier to formulate a policy framework for university research. Dr. Cloutier's report, released in August, confirms that Alberta has an enviable research reputation throughout Canada. This has been built up over many years and is the result of, among other things, substantial and sustained investment by the provincial government. About 30 to 40 per cent of annual operations grants to universities supports the infrastructure necessary for research. Dr. Cloutier's report outlines recommendations for increasing the effectiveness of the university system through performance evaluations. Also included are recommendations for enhancing the university research infrastructure in ways that encourage research excellence.

PROPOSAL

The key to research excellence is people with ideas, energy and vision. The research envelope would promote research excellence at Alberta universities by helping the universities to attract outstanding young scholars to replace retiring faculty. Funding for infrastructure would be provided to enable universities to become more competitive in the market place for new faculty. Attracting bright young minds would also enhance the universities' ability to attract additional external funding. This approach has been followed successfully by the Alberta Heritage Foundation for Medical Research. The research envelope would build on that model. Research envelope funding would provide one-time grants which would match other funds generated internally or externally by the university. It would address the research infrastructure costs (equipment, technical support, graduate student support) that the universities need to compete in attracting young faculty to areas of identified strength. The salary and associated costs for the young scholar's program would be supplied by the university.

Funding through this envelope would be available only to universities. Funding awarded to each university would be determined on the basis of each institution's previous success in attracting peer-reviewed grants.

HOW IT WOULD WORK

- Funding from the envelope would be allocated among the universities on the basis of their success in federal granting council competitions, averaged over the past three years. This would ensure that the initial funding allocation supports and recognizes excellence.
- A condition of funding would be a negotiated agreement between the department and the universities on the expected outcomes and measures of success.
- The universities would be required to comply with guidelines and criteria establishing eligible funding from the envelope. Criteria would relate to:
 - enhancement of institutional strength;
 - the attraction of scholars to areas of strength and building on centres of excellence;
 - spending the funds to achieve the best possible leverage in support of young scholars;
 - additional revenues generated or matched, both internally and externally;
 - performance criteria for evaluating success, the expectations for the initiatives funded, and how they would contribute to the research priorities of the university.
- Each university would be required to file with the Minister a comprehensive report on the results achieved.
- An external committee would be asked to provide advice to the Minister on the effectiveness of the envelope and possible changes.

IMPLEMENTATION

We propose that, beginning in the 1996-97 fiscal year, a portion of funds be transferred from the Access Fund to the Research Excellence Envelope for a three-year period, subject to review. Implementation would depend on Treasury Board's approval of this arrangement.

EXPECTED RESULTS

The performance criteria for the research envelope would include measures which show that the fund has:

- increased the amount of external research funding invested in Alberta's universities;
- enhanced the number and quality of graduate students;
- increased the ability of the universities to successfully recruit their first choice candidates.

CAPITAL RENEWAL ENVELOPE

There is a significant backlog in the maintenance and replacement of capital assets in Alberta's public adult learning system. It is estimated that over the next 10 years, approximately \$500 million will be required to meet these needs.

In the past, institutions received capital renewal grants. Due to fiscal constraints, these grants were reduced to less than half of the actual cost of maintaining facilities. Then, capital renewal grants were combined with operating grants to form the general operations grant. With reductions in operations grants and the pressure to maintain enrolment, institutions have

tended to focus more on the delivery of programs and less on the upkeep and replacement of capital assets.

We need to ensure that the capital infrastructure is maintained now and in the future. To defer spending on maintenance of equipment and capital facilities any longer could result in high costs being incurred owing to the premature replacement of these assets.

PROPOSAL

We propose a matching grant program that would encourage institutions to raise external funding to support the renewal and maintenance of their capital facilities.

HOW IT WOULD WORK

The level of matching grants available to each institution would be based on

- the level of current needs,
- how well the institution has met needs in the past through internal reallocation of funds, and
- additional funding raised from external sources.

The differences in institutions' ability to raise funds from outside sources would be reflected.

IMPLEMENTATION

This envelope would be funded by additional funds to the system, and would be operational only when those funds are secured.

EXPECTED RESULTS

Institutions would be better able to act as good stewards of their facilities and capital assets. Through the envelope's matching grant aspect, they would be encouraged to raise external funds to maintain their assets and address their outstanding capital renewal projects.

WORKING TOGETHER FOR HIGH PERFORMANCE

Albertans have told us they want to be known nationally and internationally for the excellence of their attitudes, skills and knowledge that enable them to

- take responsibility for shaping their futures,
- participate in a changing economy and work force,
- create new knowledge, and
- enrich the quality of life in their communities.

To meet this expectation, adult learning institutions and the department must work together to achieve high performance, both within individual institutions and the adult learning system. By establishing and communicating goals and results, the department and institutions enable legislators and other Albertans to assess performance in the adult learning system. The proposed funding mechanism goes one step further by *rewarding past performance* relative to goals and *encouraging the improvement* of future performance.

Funding for future ministry budgets will depend on the ministry's ability to indicate, mainly through performance measures, that we are helping people to be self-reliant, capable and caring and that we are promoting prosperity for Albertans. By demonstrating that the adult learning system is achieving goals and meeting high standards, we assure taxpayers that their investments in the system are producing valuable results and encourage their future commitment.

QUESTIONS

We look forward to receiving your views on the new proposal for a performance-based funding mechanism. Please consider the following questions:

1. What are your comments on the concept of the two-part, performance-based funding mechanism proposed?
2. What are your views on the proposed Performance Envelope?
 - a.) What are your comments on the report card outlined in Appendix I?
 - b.) Have we chosen the right indicators?
 - c.) What would you suggest as benchmarks?
 - d.) What are your comments on weighting the report card in favour of quality and output indicators? Would you apply the weighting differently? If so, why?
3. Do you approve of suspending the Accessibility Envelope for three years?
4. What are your comments on the proposed Learning Enhancement Envelope? How can we foster system-wide collaboration?
5. What are your comments on the proposed Capital Renewal Envelope?
6. What are your comments on the proposed Research Excellence Envelope?
7. Do you have any additional comments?

THE NEXT STAGE

We invite you to comment on the new proposal, using the questions listed above as your guide. Please forward your comments by **December 21, 1995** to:

System Finance and Information
Advanced Education and Career Development
11th floor Commerce Place
10155 - 102 Street
Edmonton, Alberta T5J 4L5

Development of the funding mechanism and details of its operation will undergo further refinement, as we take comments into account.

APPENDIX I

PERFORMANCE ENVELOPE REPORT CARD

The report card would be the means to link a broad indication of an institution's performance to funding through the Performance Envelope.

The draft report card proposed includes the key performance indicators that have been determined to date through consultation with institutions. Institutional sectors are in different stages with the development of their indicators. Further, data for some of the indicators may not be available when the Performance Envelope is implemented. Therefore, the report card is not static, but would evolve as we proceed with the implementation.

The report card, performance measures to be included, and operational aspects of the envelope would be refined throughout the pilot year and as better indicators are identified. Moreover, as Albertans' goals and expectations for adult learning change over time, the Performance Envelope report card would change in response.

KEY ASPECTS OF THE REPORT CARD

- Report card points would be distributed as follows: 65 per cent for quality and output; 30 per cent for efficiency input and five per cent for accountability.
- Points would be attached to each indicator.
- Achievement of excellence would carry the highest weight. Benchmarks would be established to encourage continuous improvement by recognizing an institution's performance relative to its past performance, as well as its improvement relative to others.
- The reference year for each benchmark is subject to further consultation.
- For the indicators identified with a Major Program Cluster basis of comparison, a key performance indicator would be required for the three most significant program areas at an institution. These program areas would be determined throughout the pilot year using program clusters identified in the Key Performance Indicators Manual.
- The report card for each institution would be provided to all institutions.

Funding allocations from the Performance Envelope would recognize:

1. the institution's score as a per cent of the total possible points available to the institution;
2. the institution's score relative to the scores of all other institutions;
3. the relative size of the institution, as measured by the operations grant.

Precisely how this mechanism would work will be developed with the institutions during the pilot year.

PERFORMANCE ENVELOPE REPORT CARD						
Goal	Institution	Score	BASIS OF COMPARISON			
Performance Indicator		(%)				
GROUP 1: MEASURES OF QUALITY AND OUTPUT						
ACCESSIBILITY						
	Enrolment		- Large Urban			
	i Prior year level maintained/increased		- Others			
	ii Increase > sector average					
	iii Enrolment meets contracted targets					
	Sub-Total					
RESPONSIVENESS						
	Student Satisfaction		System			
	i Increase over previous year					
	ii Increase over previous year > average					
	iii Highest level of satisfaction in system					
	Completion Rate		Major Program Cluster			
	i Rate increase over previous year					
	ii Rate > average					
	iii Most significant completion rate in system					
	iv Rate > standard of excellence					
	Employment Indicator		Major Program Cluster			
	i Rate maintained or increased					
	ii Rate > sector average					
	iii Most significant employment rate in system					
	iv Rate > standard of excellence					
	Specialized Indicators:					
	UT Transfer (UT Inst Only)		University Transfer Only			
	i Rate maintained or increased					
	ii Rate > sector average					
	iii Rate > standard of excellence					
CREATIVITY						
	Research (Council Success Rate)		All Universities			
	i Increase over prior year					
	ii Increase greater than sector average					
	iii Rate > standard of excellence					
	Technology Transfer		U of A/U of C			
	i Increase over prior year					
	ii Increase greater than sector average					
	iii Rate > standard of excellence					
	Sub-Total					
	GROUP 1 SUB-TOTAL	65				

[illegible]

APPENDIX II

STAKEHOLDER FEEDBACK

The following pages provide a quick reference to the consultation on a new funding mechanism, and a summary of the key points made by institutions, faculty and students on the June 1995 proposal.

SYSTEM PARTICIPATION & RESULTS

- In February 1995, we invited the boards, administrators, faculty associations and student associations in the adult learning system to respond to an outline paper on funding principles and options.
- **Fifteen responded.** The respondents included public and private institutions as well as student and faculty associations
A Proposed Performance-based Funding Mechanism, published June 1995, incorporated the feedback received.
- **Consultations with 26 institutions and four faculty and student associations.** Throughout August and the beginning of September, senior department staff met with representatives of the post-secondary system to discuss the paper and address questions on the proposal. A summary document of the discussions was circulated to all.
- **Forty written submissions received.** The submissions were from institutions, student and faculty organizations, as well as concerned individuals and associations.
- A new proposal is published November 1995.

PERFORMANCE-BASED FUNDING MECHANISM

ROUND TWO CONSULTATION: STAKEHOLDER RESPONSES

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Athabasca University	<u>General Comments:</u> <ul style="list-style-type: none"> • Supports principles. • Equity needs to be maintained. • Clarify how department would tie grants to targets in business plan. • Inflation would need to be accommodated in the new funding. 	<u>General:</u> <ul style="list-style-type: none"> • There seems to be an overlap between the performance and research envelopes. <u>KPIs:</u> <ul style="list-style-type: none"> • Use of KPIs should assist institutions to develop but not be punitive. • Cost/graduate should include amortization. • Suggests KPIs be institution specific. 	<u>Accessibility:</u> <ul style="list-style-type: none"> • Clarify traditional/non-traditional in accessibility for the university. • Roll the learning and technology envelope into accessibility envelope. <u>Research Excellence Envelope:</u> <ul style="list-style-type: none"> • There seems to be an overlap between the research and performance envelopes.
The Banff Centre	<u>General Comments:</u> <ul style="list-style-type: none"> • Supports the general concept but wants to be recognized as unique. 	<u>General:</u> <ul style="list-style-type: none"> • Seeks clarification on a number of definitions such as employment success of graduates and graduates. • Seeks clarification of what the centre's community is. • Could consider contractual approach. 	<u>Research Envelope:</u> <ul style="list-style-type: none"> • Support could be applicable to the centre. <u>Learning and Technology Envelope:</u> <ul style="list-style-type: none"> • Could be applicable to the centre. <u>Capital Investment Envelope:</u> <ul style="list-style-type: none"> • Wants to ensure that it is eligible.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
University of Alberta	<p><u>Process:</u></p> <ul style="list-style-type: none"> • Requests collaboration between institutions and department both for final development and ongoing basis. <p><u>General Comments:</u></p> <ul style="list-style-type: none"> • Gives in-principle support to performance-based funding and envelope structure funding. • Should be funded with new monies. • Grant funding should use Alberta's old enrolment unit system. • Need to avoid an overreaction to short run problems. • Concerned with zero-sum game. 	<p><u>General:</u></p> <ul style="list-style-type: none"> • Supports envelope and size. • Envelope should reflect where institutions are right now. Good institutions do not have much room for improvement. • Consider performance contract. • Inflation separated from performance. • Keep the translation from performance measurement to funding decisions simple and transparent. • Develop the report card in consultation with the institutions. • Comparison with like institutions is important. • High cost programs need to be recognized in a funding formula. • Continued penalization could cause a downward spiral of performance and funding. Department needs to work with institutions. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> • Must not have heavy weighting for any one indicator. • Should establish goals for each measure. • Investigate the use of a 3-year rolling average for KPIs. • Envelope funding to reflect envelope contracts and KPI analyses. 	<p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • Supports concept. <p><u>Research Excellence Envelope:</u></p> <ul style="list-style-type: none"> • Supports concept. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Supports concept.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
The University of Calgary	<p><u>General:</u></p> <ul style="list-style-type: none"> • Agree with the two-part funding mechanism. • Should use new dollars. • Have three-year projections of Operations Grants to assist in institutional planning. • Collaboration must be emphasized. • Inter-institutional competition would not be beneficial to the system. <p><u>Process:</u></p> <ul style="list-style-type: none"> • Should review the funding mechanism say, every three years. • Need accounting mechanism to ensure all funds withdrawn are returned to system. 	<p><u>General:</u></p> <ul style="list-style-type: none"> • Have clearly understood performance indicators relevant to the mandate of the institution. • Funding should be from new funds. • Status of an institution's performance should be considered when the envelope is introduced. • Performance should be measured to other Canadian institutions of similar size and mission. • Funds for inflation should not be factored into any of the envelopes. • Agrees to lag approach to link key performance measures to funding. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> • Should investigate KPI averaging. 	<p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • This envelope is of great importance to the university. • Department should provide ongoing operating costs if the institution raises significant capital assets. • Does not address the site and utilities or planned renewal component of university operations. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Be flexible enough to accommodate such items as a common student identifier. <p><u>Research Excellence Envelope:</u></p> <ul style="list-style-type: none"> • Should accommodate infrastructure needs and library resources. <p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> • Need to redefine accessibility. Give envelopes flexibility to accommodate changing needs.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
The University of Lethbridge	<u>General Comments:</u> <ul style="list-style-type: none"> • Prepared to support the principles but resolve details to make it operational. • Need predictability in long-term funding. Removing a portion each year for envelope funding would create a measure of unpredictability. • Could drive weaker institutions into the "wall". • Should use new funding. • Make performance and accessibility envelopes incentive-based. • There appear to be few incentives to cooperate and collaborate. • Keep it simple and cheap. 	<u>General:</u> <ul style="list-style-type: none"> • Inflation should be separate from performance funding. • Require clarity as to how KPIs developed to date would fit into performance funding allocations. • Scoring would need to recognize different institutional mandates and circumstances. • Probably should develop a formula to convert any "score" into funding that is open and transparent. • Not clear what kind of program costs will be used. • Would probably need several years of study to obtain a reliable program cost figure. 	<u>Capital Investment Envelope:</u> <ul style="list-style-type: none"> • Supports principle. <u>Research Excellence Envelope:</u> <ul style="list-style-type: none"> • Concerned that small campuses will not be reflected in research priorities. • Requests clarification for the criteria of this envelope.
Alberta College of Art and Design	<u>General Comments:</u> <ul style="list-style-type: none"> • Supports principles and concept embodied in proposal. • Like model but 15-20% reallocation would be unacceptable. 	<u>General:</u> <ul style="list-style-type: none"> • Provincially, comparisons should be to an institution's past performance and not to another institution. <u>KPIs:</u> <ul style="list-style-type: none"> • Need to include self-employed within employability factor. • Difficulty with subjective measure such as student satisfaction. • Hampered by institutional size. • Need to work on definitions such as FTEs, credits. 	<u>Accessibility Envelope:</u> <ul style="list-style-type: none"> • Supports current Access Fund. <u>Capital Investment Envelope:</u> <ul style="list-style-type: none"> • Suggests a review process that consists of a "jury" of knowledgeable people who assess applications on whether a project is "doable." <u>Learning and Technology Envelope:</u> <ul style="list-style-type: none"> • Supports envelope.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Fairview College	<p><u>General:</u></p> <ul style="list-style-type: none"> Proposed mechanisms meet criteria of incremental change building on historical methods. Supports redirection of funds to "high performers." Supports guiding principles with refinement to "equity principle." General concern regarding excessive competition. 	<p><u>General:</u></p> <ul style="list-style-type: none"> Supports performance envelope concept and principle rewarding "high performers". Supports 2% evenly divided between new monies and reallocated grants. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> Cost-based KPIs based on Operations Grant that excludes Geographical and Scale Adjustment. KPI reliability and validity essential. Link KPI initiatives to avoid duplication of efforts. Start with modest number of indicators. Recommend new apprenticeship results indicator. Discourage using "number of students served" indicator. Include all cost, including building depreciation in cost indicators. Discourage use of indicators linked to % of expenditures on instruction or administration Use student definition consistent with CIS reporting criteria. 	<p><u>Geographical and Scale Adjustment Envelope:</u> (suggested additional envelope)</p> <ul style="list-style-type: none"> Envelope is to increase the range of programming offered by smaller and more remote colleges. Provide allowance for colleges with higher % of enrolment from main campus. <p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> Encourage effective brokerage arrangements. Fund with new monies. <p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> Build on successes of earlier endowment programs. Agree that internal and donated funds be matched for new equipment and facilities. Recommend first consideration be given to innovative institutions. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> Encourage institutions to work together using technology to make programs more accessible.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Grande Prairie Regional College	<p><u>Process:</u></p> <ul style="list-style-type: none"> • Use average number of years preceding 94-95 to be more valid and reliable. <p><u>General Comments:</u></p> <ul style="list-style-type: none"> • Supports two-part funding mechanism and series of envelopes. • Mechanism needs to be well thought out and fair (equitable). • Consideration needs to be given for size, location and other regional variables of institutions. • Concern over fate of institutions that do not perform well. • Need to look at success of entire system. • Concern with excessive competition. <p><u>Principles:</u></p> <p>Quality</p> <ul style="list-style-type: none"> • Need to emphasize qualitative as well as quantitative measures. <p>Future Orientation</p> <ul style="list-style-type: none"> • Add this principle • Refers to anticipating and designing future-oriented programs. 	<p><u>General:</u></p> <ul style="list-style-type: none"> • Supports general principles. • Should use new funds. • Cooperation must be enhanced and rewarded. <p><u>KPIs - Recommendations:</u></p> <ul style="list-style-type: none"> • Cost of implementing KPIs must be analyzed in terms of cost benefit. • Interpretation of KPI data must consider factors of: <ul style="list-style-type: none"> - location - mandate - budget position - competitive edge - social service policies - regional economic climate - high school graduation patterns - economies of scale. 	<p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> • Success of Access Fund cannot be judged on basis of money given out; it needs to respond immediately to enrolment pressures. • Should be new dollars. <p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • Does not speak to consequences of general deterioration of facilities. • Capital grants should be tied only to matching funds from private contribution. • Smaller communities do not have access to larger sources of capital. <p><u>Research Envelope:</u></p> <ul style="list-style-type: none"> • Envelope should also be available to colleges and institutions. • Research needs to ensure quality programs are meeting student and employer needs. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Dollars from Access Fund could be withheld to support envelope. • Envelope should be monitored to ensure that: <ul style="list-style-type: none"> - technology not pursued for its own sake but is "value-added" to system. - achievement of results in short time frames not a detriment to long term planning.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Grant MacEwan Community College	<p><u>Process:</u></p> <ul style="list-style-type: none"> Funding mechanism is desirable only as an interim step enroute to the continued pursuit of system rationalization and centres of excellence. <p><u>General Comment:</u></p> <ul style="list-style-type: none"> Supports principles with the following modifications: <ul style="list-style-type: none"> Proposed definition of equity will provide differing views of fairness and, possibly, the inappropriate allocations of funds. Missing the principle of system rationalization and centres of excellence. Supports concept of funding mechanism if core is determined by formula similar to Texas. Concern expressed with Enrolment Corridor policy. 	<p><u>General Comments:</u></p> <ul style="list-style-type: none"> "Performance-based" not appropriate description with proposed core and small size of envelopes. Should reward high performers and not introduce "fudge" factors to rationalize existing inequities. \$'s for performances awarded to institution that can educate more students at lower costs per FTE. Should be a balance between %'s used for performance and accessibility envelopes. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> Use KPIs that are more comparable and quantifiable such as: <ul style="list-style-type: none"> number of students served grant cost per student. 	<p><u>General Operations Grant:</u></p> <ul style="list-style-type: none"> Should be determined by formula methods for instruction, academic support, student services institutional support and facilities operations. Core formula builds the budget based on weighted funding by types of programs. Include factor to recognize smaller markets. <p><u>Capital Investment and Learning Technology Envelopes:</u></p> <ul style="list-style-type: none"> Agrees with the use of envelopes to encourage other sources of funding. Funding should be used to ensure funding for the greatest needs.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Keyano College	<p><u>Process:</u></p> <ul style="list-style-type: none"> • Success of funding mechanism must be measured in relation to improved services to students. <p><u>General Comments:</u></p> <ul style="list-style-type: none"> • Need to clarify the "equity" principle. • Agree in principle to mechanism and series of envelopes. • Department must not lose sight of large objectives of furthering the system. • Need to ensure collaboration. • Zero-sum scenario could encourage withholding cooperation or failing to share information. • Important to encourage cooperation. 	<p><u>General:</u></p> <ul style="list-style-type: none"> • Performance should be compared to agreed upon benchmarks rather than the performance of other institutions. • Supports directing funds to high performers as long as it is on margin. • Need to recognize differences in mandates, roles, demographic, program mix, geography and economics. • 1-3% seems appropriate. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> • Acceleration of KPI definitional work is required. • KPIs must be related to learner success and satisfaction. • Important to analyze process and cost of implementing KPIs • Primary KPI: <ul style="list-style-type: none"> - satisfaction of graduates - number of students served - employment success of graduates - public/community service activity - program completion rate • Should consider use of perhaps three tiers of KPIs: primary, secondary and minor. 	<p><u>General Operations Grant:</u></p> <ul style="list-style-type: none"> • Requires more clarity around the effects of the 3-year planning process on base grant. <p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> • Unsure whether there is a need for Accessibility envelope. • Issues may be covered off by other envelopes. • 1-3% of existing grant seems appropriate upper limit. <p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • Promotion of private sector donations has to be long term. • Concern envelope may generate "false hope" and cause less productivity in reallocation decisions. • Diminishing base upon which to draw new funding. • Supports matching base. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Envelope may be subsumed by Research and Capital envelopes.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Lakeland College	<p><u>Process:</u></p> <ul style="list-style-type: none"> Require a process to monitor, evaluate and amend the funding envelopes. Assumption that new funds will be available. <p><u>General Comments:</u></p> <ul style="list-style-type: none"> In general agreement with mechanism and series of envelopes. 	<p><u>General:</u></p> <ul style="list-style-type: none"> KPIs must be those developed by Colleges and Technical Institutes. In short term, recommend 1.5% from existing funds; 1.5% new funds. No limit for long term. Recommend ceiling amount for good performance, eg. maximum net gain of 1% program to start. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> To measure and evaluate performance for funding use only: <ul style="list-style-type: none"> - enrolment indicator - satisfaction indicator Need to differentiate on basis of sector. Weighting also required. Require timely turnaround for CIS. Community service activity important. 	<p><u>General Operations Grant:</u></p> <ul style="list-style-type: none"> General operating grant should be changed over time to reflect performance. <p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> Similar to Performance Envelope. Suggest 0.5% allocation from existing grant and 0.5% from new funds. <p><u>Research Envelope:</u></p> <ul style="list-style-type: none"> Not applicable.
Medicine Hat College	<p><u>General Comments:</u></p> <ul style="list-style-type: none"> Any new funding formula should recognize quality as well as quantity. Must be financial incentives for cooperation and collaboration among institutions. 	<p><u>General:</u></p> <ul style="list-style-type: none"> Should address the apparent inequity of current base funding. Should be sensitive to the need for basic administration and support services. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> Need to clarify definitional aspects of KPIs. Requires new definition of FTE that takes into account the nature of a "community college." Could add "reduction in student loans" would be put in place for students to complete their academic progress within prescribed lines. Colleges should not be held accountable for KPIs over which they have little control. 	<p><u>Capital Renewal Envelope:</u></p> <ul style="list-style-type: none"> Decline in "capital" grant and the impact on renewing facilities and equipment will not be cost-effective in the long term. Find a new approach for funding facilities such as swimming pools so as not to detract from educational programming. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> Cost of new technology and difficulty in providing adequate equipment will continue as a problem.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Lethbridge Community College	<p><u>Process:</u></p> <ul style="list-style-type: none"> • Process for re-directing funds requires further discussion and clarification. • Decision-making process for allocating funds should be centered through an approved committee made up of providing institutions. • Next draft of proposal should clarify how new funding mechanism, will replace existing policies eg. enrolment corridor • Should consider an appeal process. <p><u>General Comments:</u></p> <ul style="list-style-type: none"> • Support principles and two-part funding mechanism. • Adaptability is used interchangeably with flexibility. Use only one term to avoid confusion. 	<p><u>General:</u></p> <ul style="list-style-type: none"> • Rename envelope to "achievement envelope" as it can be confused with name of funding mechanism. • Supports "report card" and redistributive aspects. • Supports sector concept ... suggest: <ul style="list-style-type: none"> - Universities (include university transfer) - Career and technology training. • Maximum of 2% of institutional grants be directed to the envelope. • Obtain new \$'s equal to coefficient of the CPI. • Institutional success at meeting business plan goals should be reflected. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> • Suggest adding "course completion rate." • Suggest adding "cost per student." • Do not include input measures: % of expenditures on construction and administration. • Cost indicators should measure the amount of public money used to achieve a particular result. • Add indicator: "good stewardship of physical facilities." 	<p><u>Scholarship Endowment Envelope:</u></p> <ul style="list-style-type: none"> • Suggests this additional envelope to address student finance issues through a matching formula for institutionally raised funds. <p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> • Support envelope for public and not-for-profit institutions. • Maximum of 1% of grants should be directed to envelope annually. <p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • Support criteria which are tied to a student-focus in outcomes, consistent with guiding principles. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Concerned with "one time" money; should provide maintenance money when appropriate. • Supports system-wide improvement in the form of cooperative and sharing among institutions. <p><u>Research Excellence:</u></p> <ul style="list-style-type: none"> • Concern with using new money to fund this envelope.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Mount Royal College	<p><u>Process:</u></p> <ul style="list-style-type: none"> It is most important that criteria for all envelopes is clear and selection process is transparent. <p><u>General Comments:</u></p> <ul style="list-style-type: none"> Supports principles and concepts. Supports concept of providing incentives for performance improvement. Funding envelopes may need to change over time as priorities change. Accessibility needs redefinition. 	<p><u>General:</u></p> <ul style="list-style-type: none"> Generally supports performance envelope and redistributive aspects. Supports mechanism of comparison rather than performance within acceptable corridor. Access to performance envelope should be restricted to publicly-funded providers. Process must be simple and easy to administer. Agree institutions' differences can be accommodated within operations grant. If categorizations are developed, sector alone is not a reasonable classification. (suggest adding labour force participation or employment rates.) Support up to 2% of operating grant allocated to performance envelope. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> Conditional support for the following KPIs for performance-based funding: <ul style="list-style-type: none"> number of students served program completion rate satisfaction of graduates employment success of graduates success of transfer students cost/student/program % revenues by source external research funding Do not support: <ul style="list-style-type: none"> cost/graduate teaching workload % expenditures in institutions % expenditures in administration public/community service activity 	<p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> Support concept but should be evaluated on a continuing basis. <ul style="list-style-type: none"> eg. "enrolment" aspect of access may require review if enrolment continues to soften. Does not support further reduction of system-wide operating grant beyond 2% to fund Access Envelope. Size of the envelope should be capped at a reasonable level until new \$'s are available. <p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> Need to review criteria. Ensure that institutions that have planned appropriately for capital investment should not be penalized by awarding funds to those that have not. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> Support funding for technology but not as a panacea for innovation, cost-effectively and efficiency in education. Envelope should be expanded and include projects related to innovative learning and teaching methodologies. <p><u>Research Excellence Envelope:</u></p> <ul style="list-style-type: none"> Envelope should not be restructured to universities as research is not limited to universities.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Olds College	<p><u>Process:</u></p> <ul style="list-style-type: none"> • Need to keep cost/benefit of this process in mind. • Need to strive for win-win solutions. <p><u>General Comments:</u></p> <ul style="list-style-type: none"> • Supports principles and concept and series of envelopes. • Supports re-directing funds for high performers. • Need to ensure success for system as a whole. • General concern with negative competition. • Equity principle should reflect institutional differences. 	<p><u>General:</u></p> <ul style="list-style-type: none"> • Supports envelope as tool for encouraging continuous improvement in institutions and supports redirecting funds to high performers. • Benchmarks should be based on this criteria. • Encourage collaborative efforts. • Requires intervention strategy to assist institutions to stay on track. • Concerned that system will not be able to absorb additional costs to base grant to fund envelope. • Process suggested to link \$ to performance: <ul style="list-style-type: none"> - consult with providers to choose relevant KPIs and establish benchmarks - measure institution based on benchmarks - negotiate with and assist institutions to move towards benchmarks - as institution approaches benchmark, shift target and priority - reward institutions for achieving target within time frame. • No more than 1.5% of existing grant \$'s should be reallocated to this envelope. • Should recognize past performance and improvements of institutions. • Should reflect institutional differences. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> • Suggest following subset of KPIs to drive performance envelope: <ul style="list-style-type: none"> - satisfaction of graduates - employment success/graduates - cost/graduates. 	<p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> • Use same criteria as Access Fund but reward: <ul style="list-style-type: none"> - real innovations - other non-public sources of funding - addressing needs of "non-traditional" learner. • Requires more program-coordination. • Inefficiency created by not attending to critical areas and historical mandates of existing institutions. • 0.5% of existing funds should be re-directed to this envelope and not more than 2% to both envelopes (performance and accessibility). <p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • Re-introduce concept of former Endowment Fund. • First priority of new \$'s. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Matching approval is appropriate. • AE&CD should take a lead role in facilitating collaboration. <p><u>Research Excellence Envelope:</u></p> <ul style="list-style-type: none"> • Should be extended to colleges and technical institutes..

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Red Deer College	<u>General Comments:</u> <ul style="list-style-type: none"> Impact of extracting \$'s from base grant to fund performance and accessibility envelope may be negative on an already efficient institution. 	<u>General:</u> <ul style="list-style-type: none"> Criteria for determining funding for performance envelope must be accessible, impartial and applied equitably across all institutions. Favour some form of weighting and clustering. <u>KPIs:</u> <ul style="list-style-type: none"> Recommend the following indicators for performance envelope: <ul style="list-style-type: none"> number of students served program completion rate employment success/students success of transfer students cost/student/program % of expenditures in institutions 	<u>General Operations Grant:</u> <ul style="list-style-type: none"> Without an equitable distribution of existing grant prior to implementation, the objectives of the mechanisms will be lost. <u>Learning and Technology Envelope:</u> <ul style="list-style-type: none"> Supports a new direction for the remaining Access Fund monies to: <ul style="list-style-type: none"> learning and technology support curriculum rejuvenation and infrastructure development.
Northern Alberta Institute of Technology	<u>General Comments:</u> <ul style="list-style-type: none"> Support in principle. Seeks clarification of how funding for performance awards would be acquired over time. Believes equity was achieved following the 1987 Dupre study. Does not support further differential treatment based on perceived inequities related to institutional size or location. Accessibility needs redefinition. 	<u>General Comments:</u> <ul style="list-style-type: none"> Can be effective to recognize performance and response to market demands. Compare institutions with like mandates. Can support the withdrawing of funds from the operations grant up to 2%. <u>KPIs:</u> <ul style="list-style-type: none"> Give primary importance to output and quality indicators. KPI performance indicator data should be audited by an external auditor. 	<u>Accessibility Envelope:</u> <ul style="list-style-type: none"> "Access" requires redefinition. Do not encourage lowering of admission requirements or academic standards. Do not perpetuate inefficient geographic dispersion of programs. <u>Capital Investment Envelope:</u> <ul style="list-style-type: none"> High priority. <u>Learning and Technology Envelope:</u> <ul style="list-style-type: none"> Support requires collaboration. Could include private sector involvement. <u>Research Excellence Envelope:</u> <ul style="list-style-type: none"> There is growing demand for applied research at the technical level. Should have access to this fund.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Southern Alberta Institute of Technology	<u>General:</u> <ul style="list-style-type: none"> • Strong support for principles and series of envelopes. • Customized training may appear to be more motivating for an institution to pursue than directional envelopes. • Funding mechanism must be easily understood. • Do not promote undesirable behaviours. 	<u>General:</u> <ul style="list-style-type: none"> • Supports the direction to reward institutions for their performance. • Should measure relative performance as well as system and institutional attainment of goals. • Measure previous performance. • Performance must be audited by the Auditor General. • Consider geography or market areas. • Performance should be judged relative to targets established. • Concerned that because of auditing, there could be a one-year lag between performance and reward. • Suggests using three-year trends rather than one-year changes. • Since performance funding is low, may be proliferation of bureaucracy. <u>KPIs:</u> <ul style="list-style-type: none"> • Concerned about the inability of the department to measure certain things like client satisfaction, best graduation rate and costs per student across different type of institutions. • Have only a few performance indicators. 	<u>Capital Investment Envelope:</u> <ul style="list-style-type: none"> • Likes the concept of matching grants. <u>General Operations Grant:</u> <ul style="list-style-type: none"> • Base amount should support a determined level of enrolment.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Alberta Vocational Colleges	<u>General Comments:</u> <ul style="list-style-type: none"> Support the concept but concerned that being relatively small, they will have less flexibility to adjust to less funding. 	<u>General:</u> <ul style="list-style-type: none"> Concern that numbers or politics could be manipulated to show better performance. <u>KPIs:</u> <ul style="list-style-type: none"> Difficulty with data definitions; needs further work eg. FTE use of facilities Concerned that academic upgrading and ESL are excluded from KPI measurements. 	
Columbia College	<u>Process:</u> <ul style="list-style-type: none"> Concerned that feedback was only sought from those directly involved. <u>General Comments:</u> <ul style="list-style-type: none"> Supports voucher-type system where \$'s follow the student and are not simply transferred to institutions. The degree of funding allocated to performance may not achieve the degree of improvements that are possible. 		

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Alberta Vocational College Lesser Slave Lake	<p><u>General Comments:</u></p> <ul style="list-style-type: none"> • Principle of partnership to be added to principles. • Support principles and concept of funding mechanism, and series of envelopes. • Concerned with rolling performance and accessibility envelopes into operating grant - funding mechanism should reward continuous improvement; not periodic improvement. 	<p><u>General:</u></p> <ul style="list-style-type: none"> • Performance should be given to location and size for adjusting funding in envelope. • Should be a limit to proportion of grant \$'s used to fund part performances. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> • Standardized and well-understood definitions would need to exist eg. completion withdrawal 	<p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> • Measures for increased student access need to be defined more fully eg. <ul style="list-style-type: none"> - may want to compare the number of students taking courses in home community to number having to relocate - productivity - number of completions compared to total enrolment - efficiency - course completions, cost/FTE • Matching new money for envelope a possibility. <p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • Criteria for funding would include health and safety issues, requirements to live in institutions market place and extent of removal of barriers to learning. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Matching funding is a good idea. • Criteria would be increase in accessibility. <p><u>Research Excellence Envelope:</u></p> <ul style="list-style-type: none"> • Criteria could include improved economy, better social conditions, improved employment and learning opportunities.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
Private Colleges	<p><u>General Comments:</u></p> <ul style="list-style-type: none"> • Supports mechanism but sees primary focus on public institutions. • Private colleges should be included in all envelopes. • Risk that post-secondary institutions will only concentrate on envelopes that affect base funding. • Concern with zero-sum aspect. • General concern with competition. • Should improve performance of system as a whole. • Accessibility needs redefinition. Should not just include new programs. 	<p><u>General:</u></p> <ul style="list-style-type: none"> • Concern that private colleges will be measured using the same standards as public colleges. • Need to recognize collaboration among institutions and not just competition between institutions. • Should differentiate inflation from performance. • Concern that 1-3% is not sufficient portion of operating grant. • Should use new dollars. • Added differences in function, mandate, mission and other factors may complicate comparisons yet have insignificant effects. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> • KPIs mixture of inputs/outputs/outcomes. Process measures may not be good indicators of performance. • Should investigate averaging of KPIs. 	<p><u>General Operations Grant:</u></p> <ul style="list-style-type: none"> • Could be a 5 year moving average and reflected up or down in operating grant. • Starting point should be equitable. <p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> • Public needs to know how a committee structure would work. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Committee of experts to review proposals would work. <p><u>Research Excellence Envelope:</u></p> <ul style="list-style-type: none"> • Should be applicable.

Post-Secondary Institution	Process/General Comments	Performance Envelope	Other Envelopes
The King's University College	<p><u>General:</u></p> <ul style="list-style-type: none"> • Can accept the basic principles of the proposed funding mechanism. • Fears that differences in institutional functions, missions and local circumstances could make comparisons difficult. • There should be no losers. • Avoid labouriously-gathered indicators. • The principle of funding equity should be applied to the existing operations grant prior to the implementation of the new funding mechanism. • Requests that all envelopes be available to the private accredited colleges. 	<p><u>General:</u></p> <ul style="list-style-type: none"> • Could produce competition instead of collaboration and cooperation. 	<p>Recommends an envelope to recognize growth and reduction of enrolment and number of programs offered.</p> <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Should have access to this envelope. <p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • Should have access to this envelope especially for "consumable" capital.
Yellowhead Region Educational Consortium	<p><u>General:</u></p> <ul style="list-style-type: none"> • Supports the proposed two-part performance-based funding mechanism. • Should clarify the concept of "high performers" with a very low cost per FTE. • The five envelopes seem reasonable. • Would like to have access to all five envelopes through its administrative agent, Grant MacEwan Community College. 	<p><u>General:</u></p> <ul style="list-style-type: none"> • Supports the idea that there should be a mechanism to allow for base funds to be reallocated within the post-secondary system. 	<p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • Requests that it can apply to this envelope through its administrative agent.

Other Associations	Process/General Comments	Performance Envelope	Other Envelopes
<p>Confederation of Alberta Faculty Associations</p>	<p><u>General:</u></p> <ul style="list-style-type: none"> • Generally agree with concept. • Funding reallocations for envelopes would go counter to principle of stability. • Institutional autonomy is a guiding principle that is missing. • Implement reallocation gradually. • Feel that only the two big universities are comparable. • Concerned that some institutions may get into a downward spiral. 	<p><u>General Comments:</u></p> <ul style="list-style-type: none"> • Performance indicators to be used should be very carefully considered. • Assess performance within sectors, not across sectors. • Not greater than 1%. • Subsume part of the accessibility envelope. • Inflation should be dealt with independent of the funding mechanism. <p><u>KPIs:</u></p> <ul style="list-style-type: none"> • Quality has not been emphasized in current KPIs. 	<p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> • Concerned that in order to fund this envelope, monies would be taken from "old programs" to fund "new programs". This could starve academic core programs regardless of quality. • Funding should come from new dollars. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Avoid "bottom-up" projects. These tend to disappear as individuals leave. • Subsume the other part of the accessibility envelope. • Do not encourage fragmented projects. • Have a common platform across institutions. <p><u>Research Excellence Envelope:</u></p> <ul style="list-style-type: none"> • Broaden the consultation to include research. • Invest additional dollars in research.

Other Associations	Process/General Comments	Performance Envelope	Other Envelopes
Alberta College-Institute Faculties Association	<p><u>General:</u></p> <ul style="list-style-type: none"> • Supports the concept. • There should be no more funding reductions to institutions. • Do not want funding to be diverted to stronger institutions. • Concerned that there will be competition rather than cooperation. 	<p><u>KPIs:</u></p> <ul style="list-style-type: none"> • Each institution may want to have their list of KPIs to measure performance. 	
Council of Alberta University Students	<p><u>General:</u></p> <ul style="list-style-type: none"> • Do not want to see any further funding cuts. • Prefer accurate system to one that is overly easy or simplistic. • Agrees that exceptional performance should be rewarded. • Goal should be to improve performance. • Should reflect uniqueness as principle. 	<p><u>General:</u></p> <ul style="list-style-type: none"> • Do not support redistributive aspects as a means to dismantle the system; shift funds to private sector. • Not more than 1% initially. • Should compare to institutions outside the system. • Must recognize institutional mandates and differences. • Avoid measures such as class size, student/teacher ratios or cost per graduate. • Agrees in principle with the concept. • Some measures should be common to all institutions, some regional and some mandate based. • Comparisons should be made nationally with schools of the same size and mandate. • Do extensive consultations to develop the report card criteria. • Judge employment 3-5 years after graduation. 	<ul style="list-style-type: none"> • Would like to see a separate Student Services Envelope. <p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> • May not be a top priority but should be redefined. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Strong support. Technology and hyper-learning a key to economic development. <p><u>Research Excellence Envelope:</u></p> <ul style="list-style-type: none"> • Let companies and funding agencies judge research. • Could add a measure on income/economic activity generated by research and research spin-offs. • Geared to areas of competitive advantage.

Other Associations	Process/General Comments	Performance Envelope	Other Envelopes
<p>Alberta College and Technical Institute Students' Executive Council</p>	<ul style="list-style-type: none"> • Can support the guiding principles. • Equity among institutions should be established so that there is a level playing field. • Is concerned about the quantity versus quality issue. • Concerned that administrative costs to implement the system could skyrocket. • A funding mechanism should foster cooperation not competition. • Public monies should not go to for-profit providers. 	<ul style="list-style-type: none"> • KPIs should be student oriented. • Benchmarks would need to be determined. • New monies should be used. 	<p>Investigate a Diversity of Programs Envelope.</p> <p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> • Seems to be an extension of the Access Fund. <p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • Seems to be one envelope that fosters collaboration and not competition. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Research component of this envelope should apply only to the colleges and technical institutes. <p><u>Research Excellence Envelope:</u></p> <ul style="list-style-type: none"> • It is assumed that government will not cut back on other provincial research programs.
<p>The Graduate Students' Association of the University of Alberta</p>	<ul style="list-style-type: none"> • Supports the proposals presented in the paper. • Sees a problem with the use of student enrolment quotas. • Enrolment quotas may discourage program innovation and lead to lower entrance requirements. • Recommends that the enrolment targets be based on a five-year moving average. 		

Other Associations	Process/General Comments	Performance Envelope	Other Envelopes
The University of Calgary Students' Union	<ul style="list-style-type: none"> • There must be sufficient funds to provide a quality education. • Stability and predictability must be maintained. • Recognize and value regional differences. • Funding allocations should be based on equitable terms. • Performance should be recognized as deserving additional funding. • There should be no further reductions to base funding. • No public funds should be given to private education institutions. 	<ul style="list-style-type: none"> • Appropriate performance indicators should be chosen. • Delay making this envelope funded by monies rolled out of the general operations grant until the KPIs and data collection means can be instituted. • Ensure that a thorough evaluation be completed after envelope implementation. • KPIs should be both quantitative and qualitative, as well as institution specific. • Use different indicators when comparing institutions among sectors. 	<p><u>Accessibility Envelope:</u></p> <ul style="list-style-type: none"> • Address accessibility without rolling funds out of the general operations grant. Instead add funds to this grant. • Omit this envelope from the proposed funding mechanism. <p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • The focus of this envelope is to narrow as it may detract funds from academic and general institutional operations. • Develop an Industrial Partnership Envelope. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Supports this envelope. • Reward institutions whose proposals are student centered and requires faculty to become technologically learned and use it in their teaching responsibilities. <ul style="list-style-type: none"> • Recommends the establishment of a Teaching Excellence Envelope. This would be to encourage the development of a responsive and quality learning environment.

Other Associations	Process/General Comments	Performance Envelope	Other Envelopes
Southern Alberta Institute of Technology Students' Association	<ul style="list-style-type: none"> • Institutions should not lose sight of their quality education mandate. • Performance-based systems will produce institutions of different degrees of quality. • An equitable system must be developed so that expensive programs are not penalized. • Each institution should be encouraged to combine alternative delivery methods. 		
Alberta Educational Resources	<ul style="list-style-type: none"> • The guiding principles appear to be sound for further developments. • The emphasis should be on quality, equity, practicality and adaptability. • A cooperative not competitive approach should be encouraged. • Need to control inter-institutional competition. • KPIs must be simple and based on formulas that can be applied uniformly and can be monitored. • Establish an independent and objective body to monitor the implementation of a performance-based funding mechanism. 	<ul style="list-style-type: none"> • Suggest that there should be an incorporation of a factor that allows for monitoring students' academic performance. 	<p><u>Capital Investment Envelope:</u></p> <ul style="list-style-type: none"> • Should have a higher priority to address current capital conditions. <p><u>Learning and Technology Envelope:</u></p> <ul style="list-style-type: none"> • Should have a higher priority to address current needs and delivery conditions.



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